Annual Report 2003/2004

LEAF RAPIDS TOWN PROPERTIES LTD.

MINISTER OF
INTERGOVERNMENTAL AFFAIRS AND TRADE

Room 301
Legislative Building
Winnipeg, Manitoba, CANADA
R3C 0V8
General Office: (204) 945-3788
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The Honourable John Harvard, P.C., O.M.
Lieutenant Governor of Manitoba
Room 235, Legislative Building
Winnipeg MB R3C 0V8

May It Please Your Honour:

I have the privilege to present, for your information, the Annual Report of Leaf Rapids Town Properties Ltd. for the fiscal year ended March 31, 2004.

Sincerely,

Rosann Wowchuk

Rosann Wowchuk
Minister

105-02329/

LEAF RAPIDS MANITOBA R0B 1W0 • TELEPHONE 473 8230

Leaf Rapids Town Properties Ltd.

Honourable Rosann Wowchuk
Minister of Intergovernmental Affairs
And Trade
301 Legislative Building
Winnipeg MB R3C 0V8

Dear Minister:

I am pleased to present you with the Annual Report for Leaf Rapids Town Properties Ltd. for the fiscal year ending March 31, 2004.

Audited Financial Statements, submitted as required, by the Provincial Auditor, are appended to the Report.

Yours sincerely,

Marie Elliott
Chairperson

Leaf Rapids Town Properties Ltd.
Box 10
Leaf Rapids MB R0B 1W0

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Board:

Marie Elliott
Chairperson
Deputy Minister
Intergovernmental Affairs and Trade

Geoff Bawden
Assistant Deputy Minister
Transportation and Government Services

Don Delisle
Assistant Deputy Minister
Finance

Dr. Christine Kaszycki
Assistant Deputy Minister
Industry, Economic Development and Mines

Christine M. Burton
Secretary to the Board
Acting Assistant Deputy Minister
Agriculture, Food and Rural Initiatives

Carol Oppermann
Ex-officio member of the Board
Chief Administrative Officer
Town of Leaf Rapids

Harvey Bostrom
Advisor to the Board
Deputy Minister
Aboriginal and Northern Affairs

Jeff Gordon (alternate)
Advisor to the Board
Director
Aboriginal and Northern Affairs

Management:

Christine M. Burton
General Manager
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John Kokorsch
Property Manager
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ANNUAL REPORT

LEAF RAPIDS TOWN PROPERTIES LTD.

2003-2004

Leaf Rapids Town Properties Ltd. (LRTP) is a Crown Corporation located in the Town of Leaf Rapids that was established essentially to manage the Town Centre and other properties in Leaf Rapids.

Formally LRTP's mandate is to:

- foster the economic development of the local area;
- encourage the growth of local business;
- raise money for the purpose of economic development in the Leaf Rapids' area;
- finance and/or assist in the financing of enterprises to operate in the area;
- act as project manager for local development projects.
- manage all assets for LRTP including the Town Centre Mall, Commercial Building, garage station, trailer park and vacant lands

The Management of LRTP reports to its own Board of Directors, which is appointed by the Province. The current Chairperson is the Deputy Minister of Intergovernmental Affairs and Trade (IAFT). The General Manager of LRTP, who is also the Secretary of the Board, is an Assistant Deputy Minister formerly in Intergovernmental Affairs and Trade, but now in Agriculture, Food and Rural Initiatives. The remaining Board Members are public servants representing the Departments of Finance, Transportation and Government Services and Industry, Economic Development and Mines. A representative from Aboriginal and Northern Affairs serves in an advisory capacity while the Town Administrator, who represents the Town of Leaf Rapids is an ex-Officio member of the Board.

All administration and accounting functions are managed by the Department of Intergovernmental Affairs and Trade with assistance from the Department of Transportation and Government Services. A Property Manager reports to the General Manager on matters relating to the operations of the Town Centre and all other LRTP properties.

The closing of Ruttan Mine in 2001 directly affected the lives of the citizens of Leaf Rapids, many of whom were employed in the mine. The community is working together to establish a new economic base, even though many people have left the town. The Provincial Government is assisting in this adjustment process, and LRTP is contributing to the Provincial Government's efforts.

Since the closure of the mine, all the LRTP properties continue to operate with little or no interruption of services. Extraordinary measures have been taken to support the community through its transition. However, as a consequence of these measures, the Town Centre is not self-sufficient in meeting its costs despite several efficiency initiatives. In order to maintain continued service in Town Centre, LRTP has been drawing down its financial reserve. This will have longer term implications for the Corporation.

Leaf Rapids Town Properties continues to operate the Town Centre, which includes the Health Centre, Frontier School, The Town Offices, the Whitewater Inn, and several commercial tenants. LRTP helped eliminate the strain on commercial tenants by lowering rents wherever possible and re-negotiating the leases/agreements of all existing tenants to flat monthly rates.

LRTP also owns and operates a trailer court commonly known as Sawannee Way. In the trailer court, monthly rents were forgiven by LRTP; tenants are only responsible for their property taxes.

To protect the Corporation's assets for the community as a whole, LTRP has continued to undertake crucial repairs on the Town Centre roof when needed.

LRTP is helping the community in its efforts to develop opportunities for economic development in Leaf Rapids through direct assistance to small family businesses.

LRTP continues to assist the Town of Leaf Rapids wherever possible in moving successfully through this transitional period towards a sustainable future.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available.

Management maintains internal controls to provide reasonable assurance that the financial information is reliable and accurate and that the assets of the Corporation are safeguarded.

The Board of Directors is responsible for the review and approval of all financial statements and for overseeing management's performance of its financial reporting responsibilities.

Chairman and Chief Executive Officer

General Manager

July 14, 2004

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To the Legislative Assembly of Manitoba, and
To the Board of Directors of Leaf Rapids Town Properties Ltd.

We have audited the balance sheet of Leaf Rapids Town Properties Ltd. as at March 31, 2004 and the statements of loss and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
July 14, 2004

LEAF RAPIDS TOWN PROPERTIES LTD.
FINANCIAL STATEMENTS
MARCH 31, 2004

LEAF RAPIDS TOWN PROPERTIES LTD.

STATEMENT 1

BALANCE SHEET

MARCH 31

	2004	2003
ASSETS		
CURRENT		
Cash and short term deposits	$ 1,087,257	$ 1,384,486
Accounts receivable	61,524	23,622
GST receivable	1,749	4,855
Prepaid expenses	14,681	11,617
	1,165,211	1,424,580
DEVELOPED LOTS HELD FOR RESALE *(Note 2(c))*	1	1
NOTE RECEIVABLE *(Note 3)*	1	1
CAPITAL ASSETS *(Note 4)*	1	1
	$ 1,165,214	$ 1,424,583
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 69,738	$ 149,358
Deferred revenue	6,405	10,227
	76,143	159,585
LONG TERM DEBT *(Note 6)*	1,498,577	1,498,577
	1,574,720	1,658,162
SHAREHOLDERS' DEFICIT		
SHARE CAPITAL *(Note 5)*	2,621,100	2,621,100
DEFICIT	(3,030,606)	(2,854,679)
	(409,506)	(233,579)
	$ 1,165,214	$ 1,424,583

Approved on behalf of the Board:

Director

Director

LEAF RAPIDS TOWN PROPERTIES LTD.

STATEMENT 2

STATEMENT OF LOSS AND DEFICIT

YEAR ENDED MARCH 31

	2004	2003
REVENUE		
Rentals	$ 21,196	$ 88,228
Cost recoveries	454,452	471,745
Administrative expenses paid for by the Province of Manitoba *(Note 2(e))*	53,498	...
	529,146	559,973
EXPENSES		
Administrative expenses *(Note 2(e))*	53,498	
Bad debts	(26,022)	(4,778)
Insurance	49,762	37,871
Janitorial	67,369	54,880
Professional fees	7,974	8,052
Property taxes	122,212	93,329
Repairs and maintenance	136,968	145,743
Salaries and benefits	165,929	161,083
Snow removal	8,155	5,925
Sundry	1,545	1,155
Supplies and office	21,766	16,150
Telephone	5,413	6,746
Utilities	108,258	109,683
Vehicle and travel	12,020	20,247
Winnipeg office	15,191	22,496
	750,038	678,582
OTHER (EXPENSE) REVENUE		
Corporation capital tax	(417)	(2,217)
Interest, net *(Note 7)*	33,438	33,665
Other	...	6,889
	33,021	38,337
LOSS ON OPERATIONS	(187,871)	(80,272)
Gain from prior write down of note receivable *(Note 3)*	11,944	...
NET LOSS FOR YEAR	(175,927)	(80,272)
DEFICIT, *beginning of year*	(2,854,679)	(2,774,407)
DEFICIT, *end of year*	$ (3,030,606)	$ (2,854,679)

LEAF RAPIDS TOWN PROPERTIES LTD.

STATEMENT 3

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31

	2004	2003
CASH FLOW FROM		
OPERATING ACTIVITIES		
Net loss	$ (175,927)	$ (80,272)
Net change in non-cash operating working capital:		
Accounts receivable	(37,902)	35,589
GST payable	3,106	(9,593)
Prepaid expenses	(3,064)	(5,548)
Accounts payable and accrued liabilities	(79,620)	(2,260)
Deferred revenue	(3,822)	(13,745)
	(121,302)	4,443
	(297,229)	(75,829)
INVESTING ACTIVITIES		
Note receivable from Leaf Rapids Community Development Corporation	...	11,944
FINANCING ACTIVITIES		
Payments on capital lease	...	(5,411)
NET DECREASE IN CASH DURING YEAR	(297,229)	(69,296)
CASH, *beginning of year*	1,384,486	1,453,782
CASH, *end of year*	$ 1,087,257	$ 1,384,486
CASH COMPRISED OF		
Cash	$ 46,625	$ 64,793
Short term investments	1,040,632	1,319,693
	$ 1,087,257	$ 1,384,486

1. NATURE OF OPERATIONS

Leaf Rapids Town Properties Ltd. was incorporated in 1971 under The Manitoba Companies Act. It was charged with the responsibility for the planning, design and development of the community of Leaf Rapids. Since the completion of the development, the Corporation has managed, leased and operated its physical assets and properties in Leaf Rapids.

2. SIGNIFICANT ACCOUNTING POLICIES

The Corporation's financial statements have been prepared using Canadian generally accepted accounting principles. The significant accounting policies are as follows:

(a) *Management Estimates*

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and contingent liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in income in the period in which they became known.

(b) *Capital Assets*

Capital assets are stated at cost, less accumulated amortization and write downs. Certain capital assets were written down in 2000 to their net realizable value. As well, in 2002, land, buildings and equipment were written down to reflect the reduction in their useful lives as explained in note 9. Accordingly, there is no amortization for 2004.

(c) *Developed Lots*

Developed lots held for resale were written down, in a previous year, to a nominal value of $1. Property taxes and any other related costs are charged to operations.

(d) *Pension Expense*

The Corporation participates in a multi-employer pension plan. Pension expense is equal to the Corporation's annual funding of the pension plan. The annual funding is based on the Corporation matching the employees required contributions.

(e) *Administrative Support*

The Government of the Province of Manitoba provides the services of support staff, other administrative support services, office space and utilities. The cost of the services of support staff are estimated and included in the financial statements.

3. NOTE RECEIVABLE

In 2001, the Corporation provided financing to the Leaf Rapids Community Development Corporation for the renovations to the dental clinic. Effective March 31, 2002, the terms of the repayment were renegotiated. The note receivable was written down in 2002 by $49,686 to reflect the uncertainty regarding the ultimate collection, as explained in note 9. The Corporation continued to collect based on the terms shown below, for the past fiscal year. As such the 2002 write down has been adjusted as of March 31, 2004 to reflect the outstanding balance of $37,742. This adjustment is reflected as a gain from prior write down on the statement of loss and deficit.

	2004	2003
Note receivable, non-interest bearing, repayable in monthly installments of $995, due May, 2007	$ 1	$ 1

4. CAPITAL ASSETS

	Cost	Accumulated Write Down	Accumulated Amortization	2004	2003
Commercial Properties					
Land	$ 478,766	$ 478,765	$	$ 1	$ 1
Building	1,627,110	561,919	1,065,191		
Equipment	14,246	4,110	10,136		
Non-Commercial Properties					
Land	414,692	414,692			
Building	4,701,479		4,701,479		
Other Property					
Land	82,301	82,301			
Building	857,752	321,652	536,100		
Equipment	201,311	60,217	141,094	...	...
	$ 8,377,657	$ 1,923,656	$ 6,454,000	$ 1	$ 1

5. SHARE CAPITAL

	2004	2003
Authorized -		
40,000 common shares, not to exceed $40,000		
26,210 8.15% non-cumulative, redeemable, preferred voting shares, not to exceed $2,621,000 with a redemption price of $100 per share		
Issued and fully paid -		
100 common shares	$ 100	$ 100
26,210 preferred shares	2,621,000	2,621,000
	$ 2,621,100	$ 2,621,100

Ownership: All issued shares are held by the Minister of Finance of the Province of Manitoba.

6. LONG TERM DEBT

Long term debt payable to the Province of Manitoba consists of $1,498,577 in 10% income debentures, secured by a floating charge on all assets of the corporation. Annual installments against this debt are determined based on one-half of the prior year's cash flow from operations. Cash flow is defined as net income from operations, plus amortization expense, less the installment amount paid in the year.

Interest expense is recorded as an accrual each year and, based on the required annual installment that becomes due and payable subsequent to each fiscal year. If the required annual installment exceeds 10% of the outstanding long term debt, the amount of the require annual installment in excess of 10% of the outstanding long term debt is applied against the outstanding long term debt principal and the remainder is recorded as interest expense. If the required annual installment is less than 10% of the outstanding long term debt, the full amount of the installment is recorded as interest expense. The difference between that recorded interest expense and 10% of the long term debt is not recorded and is non-cumulative. For the year ended March 31, 2004, the accrued interest expense amounted to $0.00. The difference between the interest expense of $0.00 and 10% of the long term debt is $149,858.

7. INTEREST (NET)

	2004	2003
Interest revenue	$ 33,438	$ 33,665

10. FINANCIAL INSTRUMENTS

a) *Credit Risk*

The Corporation is exposed to credit risk on the accounts receivable from its customers. An allowance for doubtful accounts has been established by the Corporation, based upon factors surrounding the credit risk of specific customers, historical records and other information.

b) *Fair Value*

Due to the short term nature of all financial instruments, other than long term debt, the carrying values as presented in the financial statements are reasonable estimates of fair value. As is true for all estimates, actual fair value could differ from this estimate and, if so, any differences would be accounted for in the period in which it becomes known. For long term debt, it is not practical within constraints of timeliness or cost to determine the fair value with sufficient reliability because the instruments are not traded in an organized financial market.

11. CHANGES IN ACCOUNTING POLICY

Leaf Rapids Town Properties Ltd. changed its accounting policy to reflect administrative expenses paid on behalf of the Corporation by the Province of Manitoba. This change in accounting policy has been applied prospectively since the information for the previous year was not available. The change in accounting policy has the effect of changing both the revenue and the expenses of the Corporation in the current year by $53,498 with a neutral effect on the net loss for the year.

8. RELATED PARTY TRANSACTIONS

As stated in note 5, all issued shares of the Corporation are held by the Minister of Finance of the Province of Manitoba. In addition, the long term debt and related interest described in note 6 are payable to the Province of Manitoba. The interest income described in note 7 is earned on short term deposits held by the Province of Manitoba. The Corporation also has the following balances with the Province of Manitoba and its agencies reflected in these financial statements as at March 31, 2004. These transactions and balances are in the normal course of operations and are measured at the exchange amount agreed to by the related parties.

	2004	2003
Short term deposits	$ 1,040,632	$ 1,319,693
Accounts receivable	3,195	4,393
Accounts payable	10,672	77,758

9. WRITE DOWN OF ASSETS TO NET REALIZABLE VALUE

The viability of the Corporation has depended on the ongoing successful operation of the Ruttan Mine. Based on information known in 2000, existing ore reserves were expected to continue for another four years. Accordingly, in 2000, management wrote down certain capital assets to reflect this uncertainty. In 2000, the Corporation determined the net realizable value of the Town Centre land to be $100,000, the equivalent of the maximum price it would receive should it sell the land. Accordingly in 2000, the Town Centre land was written down by $123,996. The industrial park land, the mobile home park land, the Town Centre buildings and the commercial buildings were written down in 2000 to estimated future cash flows from operations. The cost of these assets was written down in 2000 by $1,064,414.

On October 29, 2001, the owner of the Ruttan Mine announced that it would be shutting down the mine in May, 2002. A number of alternatives are currently being reviewed by the Town of Leaf Rapids for the utilization of the mine and/or the utilization of available housing in the Town. The ongoing viability of the Corporation will depend on the outcome of the implementation of the alternatives currently being reviewed.

In 2002, the cost of land, buildings and equipment was written down by $320,554 to reflect the reduction in their useful lives due to the closing of the Ruttan Mine. As well, due to the mine closure and the effect that this will have on the economy of Leaf Rapids, the following asset write downs, totalling $111,981 were made in 2002:

a) the allowance for doubtful accounts receivable was increased by $67,775 to reflect the uncertainty of the ultimate collection of the accounts receivable;

b) the carrying values of prepaid expenses and maintenance inventory were written down by $21,977 and $22,229 respectively to reflect the uncertainty regarding the future benefit of these assets.